First Quarter Fiscal 2014 Earnings Call

July 25, 2013

James R. Lines

President &
Chief Executive Officer

Jeffrey F. Glajch

Vice President &
Chief Financial Officer

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This presentation contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended.

Forward-looking statements are subject to risks, uncertainties and assumptions and are identified by words such as ñexpects,ò ñestimates,ò ñprojects,ò ñgoal,ò ñanticipates,ò ñbelieves,ò ñplans,ò ñtarget,ò ñoutlook,ò ñpriorities,ò ñcould,ò and other similar words. All statements addressing operating performance, events, or developments that Graham Corporation expects or anticipates will occur in the future, including but not limited to, statements relating to Grahamõs acquisition of Energy Steel & Supply Co. (including but not limited to, the integration of the acquisition of Energy Steel, revenue, backlog and expected performance of Energy Steel, and expected expansion and growth opportunities within the domestic and international nuclear power generation markets), anticipated revenue, the timing of conversion of backlog to sales, profit margins, foreign sales operations, its strategy to build its global sales representative channel, the effectiveness of automation in expanding its engineering capacity, its ability to improve cost competitiveness, customer preferences, changes in market conditions in the industries in which it operates, changes in general economic conditions and customer behavior and its acquisition strategy are forward-looking statements. Because they are forward-looking, they should be evaluated in light of important risk factors and uncertainties. These risk factors and uncertainties are more fully described in Graham Corporation's most recent Annual Report filed with the Securities and Exchange Commission, including under the heading entitled ñRisk Factors.ò

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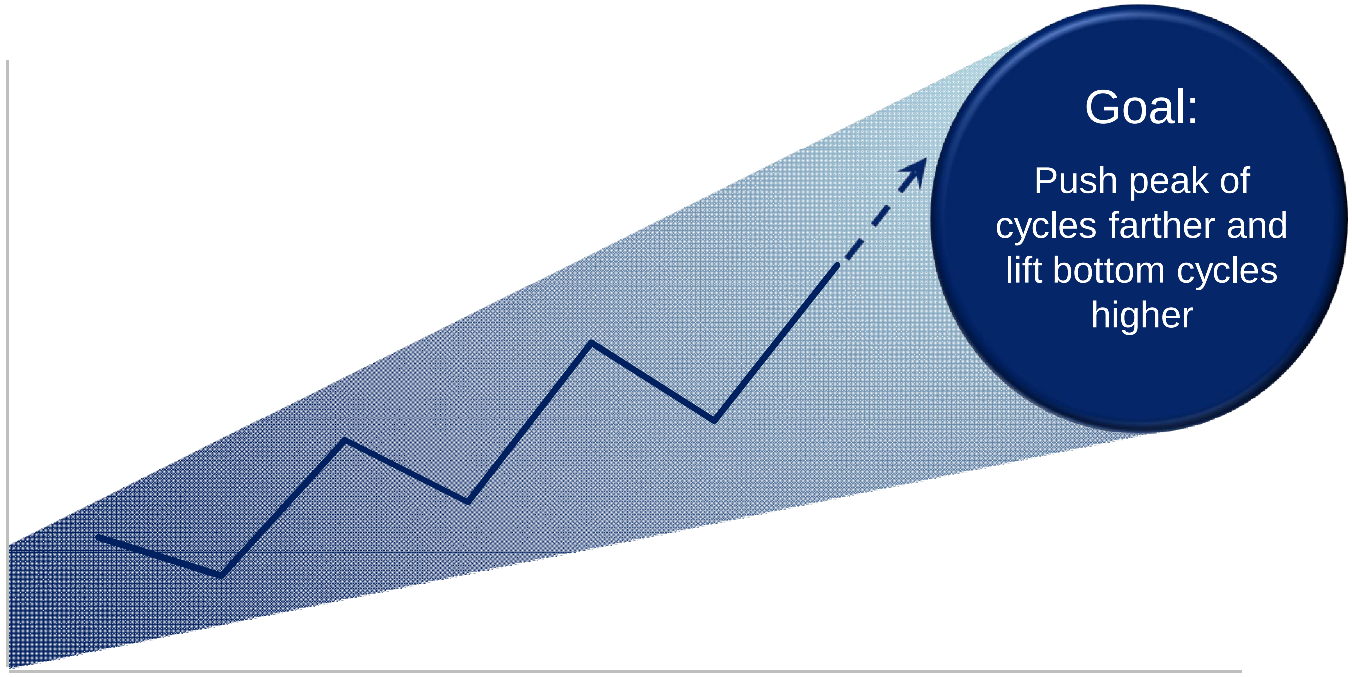
Double Revenue in Next Cycle

*A world leader in the design and manufacture of **Engineered–to–Order (ETO)** products for the **Energy Markets** with a goal to **Double Revenue** to **Exceed $200** million in next cycle.*



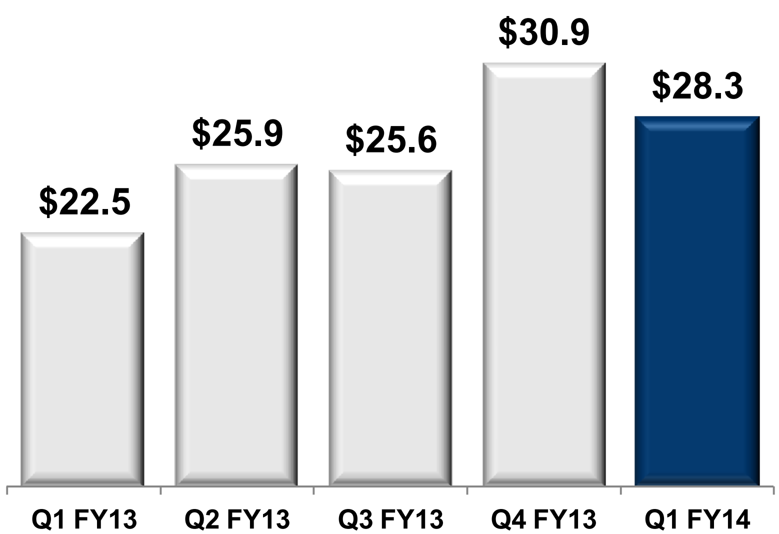
First Quarter Fiscal 2014 Highlights

- **Well executed quarter and favorable sales mix drove solid results**
- **First quarter sales up $5.8 million to $28.3 million**
  - Year-over-year quarterly growth of 25.4% driven by strength of global refining sector
- **Net income of $3.8 million in first quarter, $0.38 EPS**
  - Favorably compares with $1.4 million net income and $0.14 EPS in the prior year quarter
  - Improved profitability benefitted from quality projects, favorable project mix and volume as well as a higher level of short cycle sales
- **Early stages of recovery in global refining and petrochemical markets**
- **Encouraging global bidding activity in pipeline for all sectors**
  - Pipeline sustaining at $750 million to $1 billion in trailing twelve month bids for refining, power and petrochemical markets

First Quarter Fiscal 2014 Sales

($ in millions)

Quarterly Revenue



- **Global refining industry drove Q1 sales growth**
  - Refining sales were $12.6 million, up $7.4 million, or 142%, from $5.2 million in last year's first quarter
  - Chemical/Petrochemical industry sales were $4.6 million
  - Power industry sales were $7.7 million
  - Other Commercial and Industrial sales were $3.4 million
- **Globally diverse Q1 sales**
  - U.S sales represented 53%, up 19%
  - International sales, up 34%:
    - Middle east: 5% of total
    - Asia: 23% of total
    - Other international: 19% of total

Proven Progress EXECUTING OUR PLAN FOR GROWTH

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Financial Overview

Jeffrey F. Glajch

Vice President &
Chief Financial Officer

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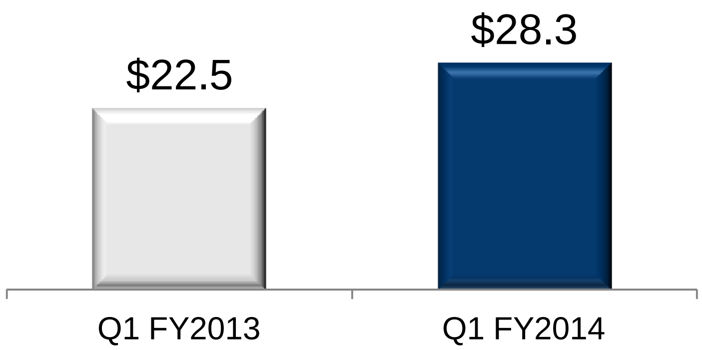
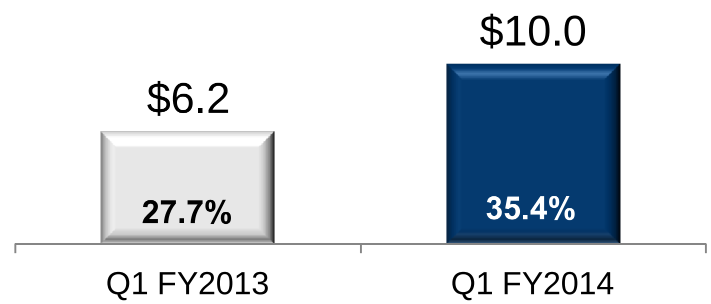
Q1 Operating Leverage on Volume

($ in millions, except EPS)

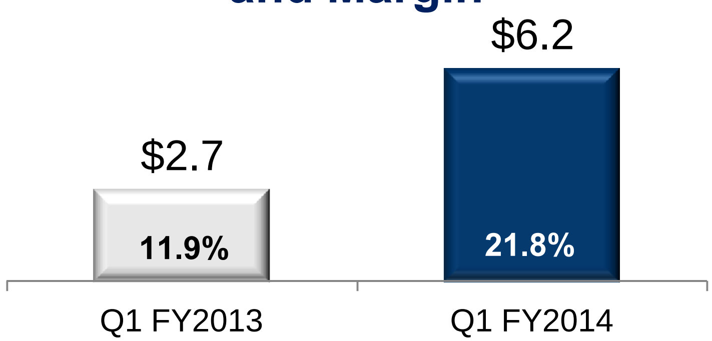
Sales



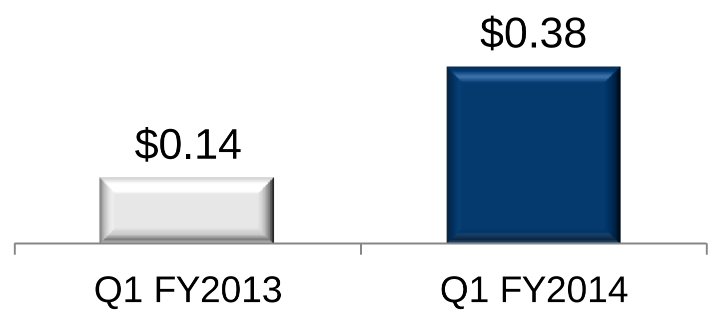
Gross Profit and Margin



EBITDA* and Margin



EPS



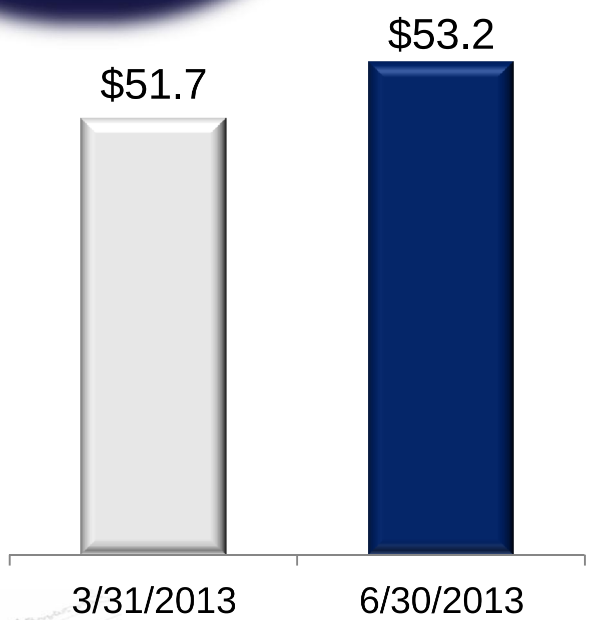
** See supplemental slide for EBITDA reconciliation and other important disclaimers regarding Graham's use of EBITDA*

Strong Cash Position

Cash, Cash Equivalents, and Investments

(in millions)

No bank debt at 6/30/13



- **Cash and investments position increased $1.5 million in fiscal 2014 first quarter**
- **Strong cash and investments position and financial flexibility supports acquisition strategy**

Cash available for investments in organic growth and acquisitions

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Outlook

James R. Lines

President &
Chief Executive Officer

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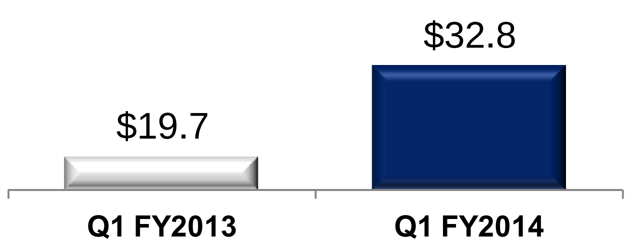
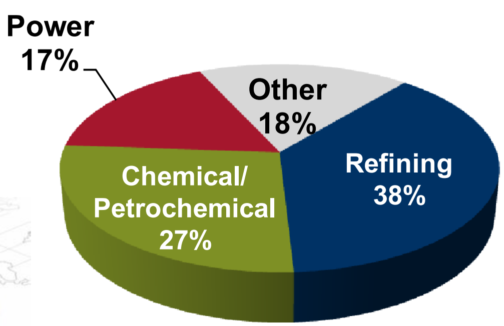
Strong Pipeline, Slow Releases

Q1 FY2014 Orders of $32.8 million

Quarterly Orders
(in millions)



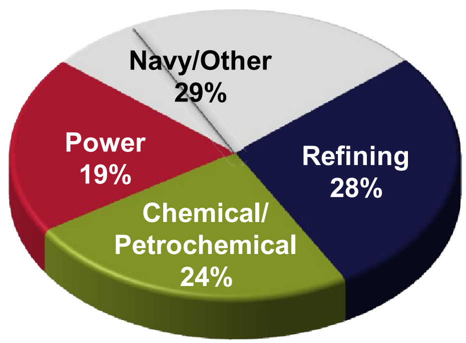
TTM Q1 FY2014 Orders by Industry $108.9 million



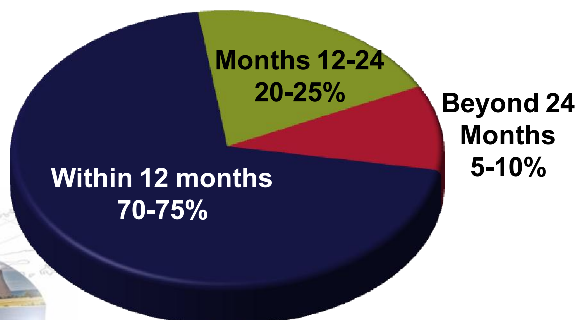
- **First quarter orders increased 66% vs. Q1 FY2013**
  - Approximately 50% of orders received in last half of June
  - Q1 FY2014 reflected 27% increase over sequential Q4 FY2013, driven by chemical/petrochemical orders converted from the pipeline
    - Chemical/petrochemical represented 59% of orders in the quarter
  - Disproportionate percent of Q1 orders, 87%, from the U.S market
  - Driven by new capacity investments
- **Strong pipeline**
  - TTM bids: $750 million to $1 billion; more than double FY04 ï FY05 period
    - North American petrochemical market
    - Global refining opportunities
    - Power market steady

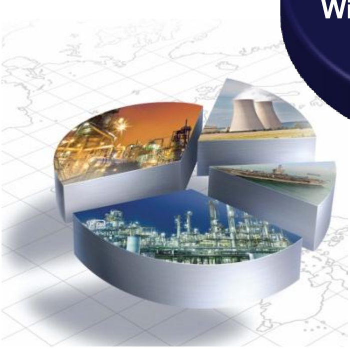
Moderate Backlog Level

Backlog by Industry
June 30, 2013



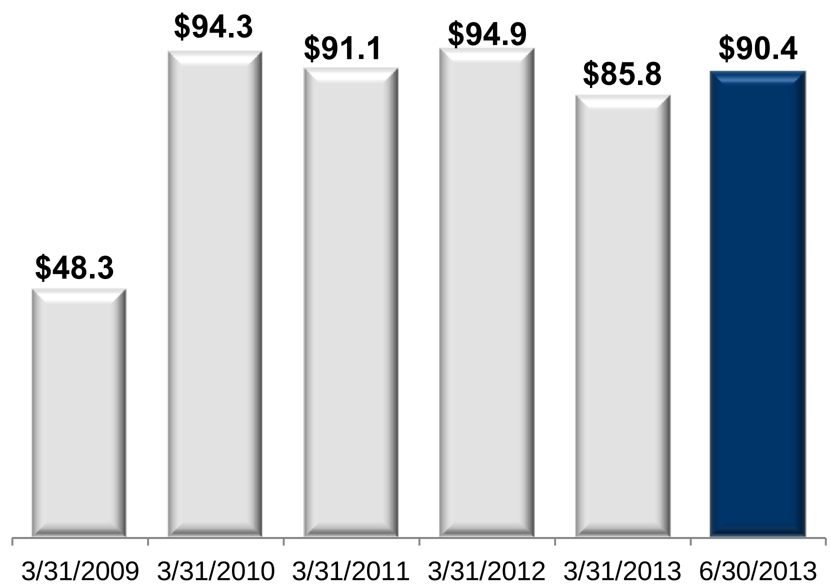
Projected Backlog Conversion
June 30, 2013





(in millions)

Backlog



- **Choppy order patterns**
  - Expecting backlog expansion as strong bidding pipeline begins to convert

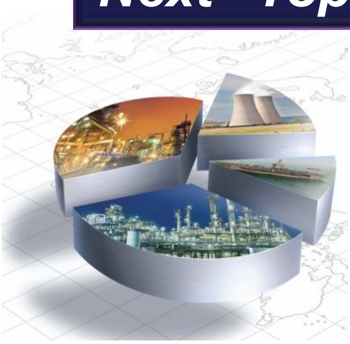
Outlook: Fiscal 2014 and Beyond

Fiscal 2014 Guidance:[1]

➢ Revenue	$100 million - $115 million
➢ Gross margin	29% - 31%
➢ SG&A	15% - 16% of sales
➢ Effective tax rate	33% - 34%

FY2014 margins are expected to be impacted by the timing of backlog conversion and a significant level of outsourcing

Next "Top of Cycle" Target: Exceed $200 million in organic revenue



(1) Guidance provided as of July 25, 2013

Strategic Focus

Sustainable earnings growth

Reducing earnings volatility

Improving operating performance

Generating high cash flow from operations

Focusing on customers and employees

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NYSE MKT: GHM

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EBITDA Reconciliation

(in thousands)

	Three Months Ended June 30,	
	2013	2012
Net income	**$ 3,808**	**$ 1,390**
+Net interest expense	(6)	69
+Income taxes	1,810	693
+Depreciation & amortization	550	520
EBITDA	**$ 6,162**	**$ 2,672**
EBITDA Margin %	21.8%	11.9%

* EBITDA is defined as consolidated net income before acquisition related expenses, interest expense, income taxes, and depreciation and amortization. EBITDA is not a measure determined in accordance with generally accepted accounting principles in the United States, commonly known as GAAP. Nevertheless, Graham believes that providing non-GAAP information such as EBITDA is important for investors and other readers of Graham's financial statements, as it is used as an analytical indicator by Graham's management. Because EBITDA is a non-GAAP measure and is thus susceptible to varying calculations, EBITDA, as presented, may not be directly comparable to other similarly titled measures used by other companies.